

Research Update:

Sodexo S.A. Downgraded To 'BBB' From 'BBB+' On Weaker-For-Longer Credit Metrics; Outlook Stable

July 22, 2026

Rating Action Overview

- We expect France-based Sodexo S.A.'s leverage to peak at 4.0x and funds from operations (FFO) to debt to decline to below 20% in fiscal 2026 (ending Aug. 31, 2026). Credit metrics will slowly improve in fiscal 2027, amid weak operating performance, and high exceptional costs and investments to restore the group's competitiveness, as guided by the group during its investor day on July 16, 2026.
- We forecast that leverage could decline to below 3.0x by the end of fiscal 2028, however FFO to debt will likely not surpass our downside trigger of 30% until fiscal 2029, which is beyond the 18-24 months we previously expected for restoring credit metrics.
- Therefore, we lowered our long-term issuer credit rating on Sodexo S.A., Sodexo Finance DAC, and Sodexo Inc., and our issue rating on the senior unsecured bonds, to 'BBB' from 'BBB+'. We affirmed our 'A-2' short-term issuer credit rating.
- The stable outlook indicates that despite the weaker leverage and FFO to debt over the next 18 months, we expect Sodexo to demonstrate consistent improvements toward organic growth and profitability as the group executes on its performance plan and maintains a prudent financial policy, resulting in leverage improving to below 3.0x and FFO to debt toward 26% in fiscal 2028.

Primary Contact

Esther Galvin
Paris
33-750128432
esther.galvin
@spglobal.com

Secondary Contact

Solene Van Eetvelde
Paris
33-14-420-6684
solene.van.eetvelde
@spglobal.com

Rating Action Rationale

In our view, Sodexo being unable to improve its credit metrics back to a level commensurate with a 'BBB+' rating within the next 18-24 months due to significant investments and costs associated with its new growth and performance plan underpins the downgrade. We expect that Sodexo will experience a more acute decline in EBITDA in fiscal 2026 and 2027, and a slower recovery in fiscal 2028, than we previously expected. This is largely attributable to the group's performance plan including cost saving initiatives, restructuring actions, and investments in technology and commercial forces, which will negatively affect operating margins in fiscal 2026 and 2027. We forecast that S&P Global Ratings-adjusted EBITDA margins will decline to 4.2%-4.6% in fiscal 2026 and 2027 from 6.3% in fiscal 2025, recovering toward 6.0% in fiscal 2028, as benefits from the restructuring and commercial measures gradually materialize. In addition to

measures aimed at improving client retention and accelerated decision-making within the organization, Sodexo's performance plan also intends to address underperforming contracts and enhance workforce productivity with new key performance indicators. The group aims to improve purchasing costs thanks to optimized integration between its supply functions and its subsidiary Entegra, and the increased use of AI.

As a result of the increased costs associated with this plan, we forecast that S&P Global Ratings-adjusted debt to EBITDA will peak at 4.0x and FFO to debt will weaken to below 20% in fiscal 2026, with a limited improvement in fiscal 2027 with leverage at 3.7x and FFO to debt of about 20%. Credit metrics should start recovering more significantly in fiscal 2028. Although we expect leverage to decline to below 3.0x, FFO to debt will remain below 30% over our forecast due to the high cost of debt. In addition to the pressured credit metrics, we anticipate execution risk associated with the group's performance plan--leaving little headroom under the 'BBB' rating.

We expect near-term free operating cash flow (FOCF) to be weaker than previously forecast.

As part of the measures Sodexo will deploy to restore growth and competitiveness, we assume increased capital expenditure (capex) and client investments in the next couple of years, which, combined with lower EBITDA, will result in materially lower FOCF of about €250 million-€350 million in fiscal 2026 and 2027, compared with €631 million in fiscal 2025, and much higher levels of €800 million-€1 billion previously. Despite reduced distributions to shareholders due to weaker financial performance impacting the group's net income, we forecast that discretionary cash flow (DCF) will be temporarily negative or minimal over the same period.

Sodexo maintains a leverage target below 2.0x, but it will tolerate a temporary deviation that is beyond our outlook horizon. Sodexo has historically adhered to its financial policy including a target leverage of 1.0x-2.0x (corresponding to our adjusted debt-to-EBITDA ratio of 1.5x-2.5x). During the group's investor day on July 16, 2026, Sodexo stated its intention to reduce leverage to the 2.0x target by fiscal 2030. As the new management team needs time and investments to deliver its operational and commercial improvements in the coming years, we expect credit metrics will no longer support a 'BBB+' rating. We think Sodexo will maintain a prudent acquisition policy during this transition phase, but will continue to invest in small to midsize businesses to support its strategic development, in a market which still benefits from favorable growth prospects as outsourcing and demographic trends should result in a growing addressable market for Sodexo.

Outlook

The stable outlook indicates that despite weaker leverage and FFO to debt over the next 18 months, we expect Sodexo to demonstrate consistent improvements toward organic growth and profitability as the group executes on its performance plan and maintains a prudent financial policy, resulting in leverage improving to below 3.0x and FFO to debt toward 26% in fiscal 2028.

Downside scenario

We could lower our rating if Sodexo is unable to restore operating performance, so that FFO to debt remains below 25%, or if leverage stays above 3.5x for a prolonged period. A downgrade could also occur if we revise down our assessment of the group's business risk profile because the group has been unable to show tangible improvements in its EBITDA margins toward the historical levels of 6%-7%. We could also lower the rating if:

- The group's financial policy decisions no longer support the current rating, for example, if management pursues large debt-funded acquisitions or significant exceptional distributions to shareholders before restoring growth and profitability; or
- Parent company Bellon S.A.'s debt materially increases, since Bellon relies on dividends from Sodexo and Pluxee N.V. to service its debt.

Upside scenario

We could raise the rating if Sodexo's operating performance materially improves, enabling it to restore FFO to debt to at least 30% and reduce leverage to below 3.0x on a sustainable basis.

Company Description

Sodexo is one of the world's largest service providers. It offers more than 100 services, including those related to catering, reception, maintenance, cleaning, and facilities and equipment management.

Sodexo operates in 43 countries, with more than 426,000 employees, making it one of the largest private employers worldwide. The company reported revenue of €24.1 billion in fiscal 2025.

Sodexo is listed on the CAC Next 20, CAC SBT 1.5, FTSE4Good, and Dow Jones Sustainability Indices. Its largest shareholder, the Bellon family, held 43.8% of equity and 58.8% of voting rights as of Aug. 31, 2025.

Our Base-Case Scenario

Assumptions

- GDP growth of 1.5% in 2026, 1.7% in 2027, and 1.9% in 2028 in Europe, and about 2.1% in 2026, 1.9% in 2027, and 1.9% in 2028 in the U.S.
- Consumer price index inflation of 4.7% in 2026, 3.4% in 2027, and 2.8% in 2028 in Europe, and about 4.0% in 2026, 2.5% in 2027, and 1.9% in 2028 in the U.S.
- Revenue to decline by 0.5%-1.0% in 2026, mainly driven by shrinking revenue in North America following contract losses in the education and business and administration segments, combined with adverse foreign exchange movements. In fiscal 2027, we forecast revenue growth of 4%-5%, supported by organic growth of about 3%; a recovery in the North America-based business segments; and contributions from acquisitions, including a full-year contribution of €350 million from Grupo Mediterránea (the acquisition of this entity closed in February 2026).
- Adjusted EBITDA margin to decline to 4.2% in fiscal 2026 from 6.3% in 2025, due to operational challenges and accelerated investments that were concentrated in North America. The decline also reflects the impact of the global contracts and assets review conducted by Thierry Delaporte, which included specific contract-related provisions; and €300 million in nonrecurring costs.
- EBITDA margins to improve slightly in fiscal 2027 to 4.5%-4.6%, impacted by accelerated investments and higher restructuring costs. Recovery of about 5.8%-6.0% expected in 2028, supported by workforce productivity, procurement efficiencies, price increases, and a significant drop in restructuring costs compared with fiscal 2027

Sodexo S.A. Downgraded To 'BBB' From 'BBB+' On Weaker-For-Longer Credit Metrics; Outlook Stable

- Gross capex to sales of about 2.5% in fiscal 2026 and beyond--of which a large portion is for contract-related investments at client sites--to support client retention and new contracts
- Neutral working capital impact.
- A lower dividend distribution of €230 million-€250 million in fiscal 2027, but no change to the group's long-term dividend policy, under which it distributes 50% of the prior year's underlying net income, beyond 2027.
- Bolt-on acquisition spending of about €230 million in fiscal 2026, including Grupo Mediterranea, and €200 million per year thereafter.

Key metrics

Sodexo S.A.--Forecast summary

Period ending	Aug-31-2022	Aug-31-2023	Aug-31-2024	Aug-31-2025	Aug-31-2026	Aug-31-2027	Aug-31-2028	Aug-31-2029
(Mil. EUR)	2022a	2023a	2024a	2025a	2026e	2027f	2028f	2029f
Revenue	21,125	23,736	23,798	24,074	23,885	24,936	26,276	27,820
EBITDA (reported)	1,578	1,305	1,518	1,474	961	1,099	1,515	1,796
Plus/(less): Other	(11)	495	(18)	46	38	48	48	48
EBITDA	1,567	1,800	1,500	1,520	999	1,147	1,563	1,844
Less: Cash interest paid	(71)	(97)	(60)	(142)	(178)	(175)	(176)	(212)
Less: Cash taxes paid	(200)	(219)	(179)	(348)	(103)	(105)	(201)	(253)
Funds from operations (FFO)	1,296	1,484	1,261	1,030	718	866	1,187	1,380
Interest expense	110	179	162	155	182	179	180	216
Cash flow from operations (CFO)	1,035	1,476	1,148	964	674	634	934	1,109
Capital expenditure (capex)	345	453	358	333	358	374	394	417
Free operating cash flow (FOCF)	690	1,023	790	631	316	260	540	691
Dividends	299	358	1,377	402	398	240	271	314
Share repurchases (reported)	13	57	51	83	33	50	50	50
Discretionary cash flow (DCF)	378	608	(638)	146	(115)	(30)	219	328
Debt (reported)	5,717	5,557	4,710	4,782	4,201	4,201	4,201	4,201
Plus: Lease liabilities debt	943	831	728	664	659	659	659	659
Plus: Pension and other postretirement debt	(14)	71	115	106	106	106	106	106
Less: Accessible cash and liquid Investments	(3,522)	(3,489)	(2,062)	(1,991)	(979)	(573)	(417)	(370)

Sodexo S.A.--Forecast summary

Plus/(less): Other	137	100	--	40	40	40	40	40
Debt	3,261	3,070	3,491	3,601	4,027	4,433	4,589	4,636
Cash and short-term investments (reported)	4,482	2,025	2,137	2,091	1,079	673	517	470
Adjusted ratios								
Debt/EBITDA (x)	2.1	1.7	2.3	2.4	4.0	3.9	2.9	2.5
FFO/debt (%)	39.7	48.3	36.1	28.6	17.8	19.5	25.9	29.8
CFO/debt (%)	31.7	48.1	32.9	26.8	16.7	14.3	20.4	23.9
FOCF/debt (%)	21.2	33.3	22.6	17.5	7.8	5.9	11.8	14.9
DCF/debt (%)	11.6	19.8	(18.3)	4.1	(2.9)	(0.7)	4.8	7.1
Annual revenue growth (%)	21.2	12.4	0.3	1.2	(0.8)	4.4	5.4	5.9
EBITDA margin (%)	7.4	7.6	6.3	6.3	4.2	4.6	5.9	6.6

All figures are adjusted by S&P Global Ratings, unless stated as reported. a--Actual. e--Estimate. f--Forecast. EUR--euro.

Liquidity

We assess Sodexo's liquidity as strong. We forecast that liquidity sources will cover uses by 1.5x over the next 12 months, supported by the group's significant cash balances and availability under its RCF. The group's strong standing in both domestic and overseas financial markets, solid banking relationships, proactive liability management, and track record of maintaining significant liquidity cushions support our liquidity assessment.

Principal liquidity sources	Principal liquidity uses
Over the 12 months from June 1, 2026:	Over the same period:
- Cash, cash equivalents, and short-term investments of about €667 million; - Unused RCF of about €1.75 billion; and - Cash FFO of about €680 million.	- Capex of €550 million-€650 million including new client investments; - Dividends of €230 million-€250 million; and - Repayment of maturing debt of about €1,410 million.

Issue Ratings--Subordination Risk Analysis

Capital structure

Sodexo's capital structure consists of €4.8 billion of senior unsecured debt issued at the parent level and about €1.9 billion of senior unsecured debt issued by its U.S. subsidiary Sodexo Inc.

Analytical conclusions

We rate Sodexo's debt in line with the 'BBB' issuer credit rating, given that all of its debt is unsecured and there are no elements of significant subordination risk in its capital structure.

Sodexo S.A. Downgraded To 'BBB' From 'BBB+' On Weaker-For-Longer Credit Metrics; Outlook Stable

Rating Component Scores

Component	
Foreign currency issuer credit rating	BBB/Stable/A-2
Local currency issuer credit rating	BBB/Stable/A-2
Business risk	Strong
Country risk	Low risk
Industry risk	Intermediate risk
Competitive position	Strong
Financial risk	Significant
Cash flow/leverage	Significant
Anchor	bbb
Modifiers	
Diversification/portfolio effect	Neutral/Undiversified
Capital structure	Neutral
Financial policy	Neutral
Liquidity	Strong
Management and governance	Neutral
Comparable rating analysis	Neutral
Stand-alone credit profile	bbb

Related Criteria

- [Criteria | Corporates | General: Sector-Specific Corporate Methodology](#), July 7, 2025
- [Criteria | Corporates | General: Methodology: Management And Governance Credit Factors For Corporate Entities](#), Jan. 7, 2024
- [Criteria | Corporates | General: Corporate Methodology](#), Jan. 7, 2024
- [General Criteria: Environmental, Social, And Governance Principles In Credit Ratings](#), Oct. 10, 2021
- [General Criteria: Group Rating Methodology](#), July 1, 2019
- [Criteria | Corporates | General: Corporate Methodology: Ratios And Adjustments](#), April 1, 2019
- [Criteria | Corporates | General: Reflecting Subordination Risk In Corporate Issue Ratings](#), March 28, 2018
- [General Criteria: Methodology For Linking Long-Term And Short-Term Ratings](#), April 7, 2017
- [Criteria | Corporates | General: Methodology And Assumptions: Liquidity Descriptors For Global Corporate Issuers](#), Dec. 16, 2014
- [General Criteria: Methodology: Industry Risk](#), Nov. 19, 2013
- [General Criteria: Country Risk Assessment Methodology And Assumptions](#), Nov. 19, 2013
- [General Criteria: Principles Of Credit Ratings](#), Feb. 16, 2011

Related Research

Sodexo S.A. Downgraded To 'BBB' From 'BBB+' On Weaker-For-Longer Credit Metrics; Outlook Stable

- [Research Update: Sodexo S.A. Outlook Revised To Negative On Expected Weaker Earnings And Increased Leverage: 'BBB+' Rating Affirmed](#), May 4, 2026
- [Tear Sheet: Sodexo S.A.](#), Nov. 3, 2025
- [Sodexo S.A.](#), March 24, 2025

Ratings List

Ratings List		
Downgraded; Outlook Action		
	To	From
Sodexo S.A.		
Sodexo Finance DAC		
Sodexo Inc.		
Issuer Credit Rating	BBB/Stable/A-2	BBB+/Negative/A-2
Foreign Currency	BBB/Stable/A-2	BBB+/Negative/A-2
Downgraded		
	To	From
Sodexo S.A.		
Sodexo Inc.		
Senior Unsecured	BBB	BBB+
Ratings Affirmed		
Sodexo S.A.		
Sodexo Finance DAC		
Commercial Paper	A-2	

Certain terms used in this report, particularly certain adjectives used to express our view on rating relevant factors, have specific meanings ascribed to them in our criteria, and should therefore be read in conjunction with such criteria. Please see Ratings Criteria at <https://disclosure.spglobal.com/ratings/en/regulatory/ratings-criteria> for further information. A description of each of S&P Global Ratings' rating categories is contained in "S&P Global Ratings Definitions" at <https://disclosure.spglobal.com/ratings/en/regulatory/article/-/view/sourceId/504352>. Complete ratings information is available to RatingsDirect subscribers at www.capitaliq.com. All ratings referenced herein can be found on S&P Global Ratings' public website at www.spglobal.com/ratings.

Copyright © 2026 by Standard & Poor's Financial Services LLC. All rights reserved.

No content (including ratings, credit-related analyses and data, valuations, model, software or other application or output therefrom) or any part thereof (Content) may be modified, reverse engineered, reproduced or distributed in any form by any means, or stored in a database or retrieval system, without the prior written permission of Standard & Poor's Financial Services LLC or its affiliates (collectively, S&P). The Content shall not be used for any unlawful or unauthorized purposes. S&P and any third-party providers, as well as their directors, officers, shareholders, employees or agents (collectively S&P Parties) do not guarantee the accuracy, completeness, timeliness or availability of the Content. S&P Parties are not responsible for any errors or omissions (negligent or otherwise), regardless of the cause, for the results obtained from the use of the Content, or for the security or maintenance of any data input by the user. The Content is provided on an "as is" basis. S&P PARTIES DISCLAIM ANY AND ALL EXPRESS OR IMPLIED WARRANTIES, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE, FREEDOM FROM BUGS, SOFTWARE ERRORS OR DEFECTS, THAT THE CONTENT'S FUNCTIONING WILL BE UNINTERRUPTED OR THAT THE CONTENT WILL OPERATE WITH ANY SOFTWARE OR HARDWARE CONFIGURATION. In no event shall S&P Parties be liable to any party for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses (including, without limitation, lost income or lost profits and opportunity costs or losses caused by negligence) in connection with any use of the Content even if advised of the possibility of such damages.

Some of the Content may have been created with the assistance of an artificial intelligence (AI) tool. Published Content created or processed using AI is composed, reviewed, edited, and approved by S&P personnel.

Credit-related and other analyses, including ratings, and statements in the Content are statements of opinion as of the date they are expressed and not statements of fact. S&P's opinions, analyses and rating acknowledgment decisions (described below) are not recommendations to purchase, hold, or sell any securities or to make any investment decisions, and do not address the suitability of any security. S&P assumes no obligation to update the Content following publication in any form or format. The Content should not be relied on and is not a substitute for the skill, judgment and experience of the user, its management, employees, advisors and/or clients when making investment and other business decisions. S&P does not act as a fiduciary or an investment advisor except where registered as such. While S&P has obtained information from sources it believes to be reliable, S&P does not perform an audit and undertakes no duty of due diligence or independent verification of any information it receives. Rating-related publications may be published for a variety of reasons that are not necessarily dependent on action by rating committees, including, but not limited to, the publication of a periodic update on a credit rating and related analyses.

To the extent that regulatory authorities allow a rating agency to acknowledge in one jurisdiction a rating issued in another jurisdiction for certain regulatory purposes, S&P reserves the right to assign, withdraw or suspend such acknowledgment at any time and in its sole discretion. S&P Parties disclaim any duty whatsoever arising out of the assignment, withdrawal or suspension of an acknowledgment as well as any liability for any damage alleged to have been suffered on account thereof.

S&P keeps certain activities of its business units separate from each other in order to preserve the independence and objectivity of their respective activities. As a result, certain business units of S&P may have information that is not available to other S&P business units. S&P has established policies and procedures to maintain the confidentiality of certain non-public information received in connection with each analytical process.

S&P may receive compensation for its ratings and certain analyses, normally from issuers or underwriters of securities or from obligors. S&P reserves the right to disseminate its opinions and analyses. S&P's public ratings and analyses are made available on its Web sites, www.spglobal.com/ratings (free of charge), and www.ratingsdirect.com (subscription), and may be distributed through other means, including via S&P publications and third-party redistributors. Additional information about our ratings fees is available at www.spglobal.com/usratingsfees.

STANDARD & POOR'S, S&P and RATINGSDIRECT are registered trademarks of Standard & Poor's Financial Services LLC.